



U.S. FISH AND WILDLIFE SERVICE TRANSMITTAL SHEET

PART 264 FW 1, 2, and 5	SUBJECT Finance Cost Recovery and Cost Allocation - Policy and Responsibilities Recovery of Full Costs/Reimbursable Agreements Exceptions to Cost Recovery Policy	RELEASE NUMBER 386
FOR FURTHER INFORMATION CONTACT Division of Finance		DATE January 16, 2002

EXPLANATION OF MATERIAL TRANSMITTED:

These chapters update and define Service policy and procedures on recovery of full costs. Chapters 3 and 4 are reserved for additional guidance.

Acting
Deputy DIRECTOR



FILING INSTRUCTIONS:

Remove:

264 FW 1, 12/30/96, FWM 286 (1 sheet)
264 FW 2, 12/30/96, FWM 286 (1 sheet)
Exhibit 1, 264 FW 2, 12/30/96, FWM 286 (1 sheet)

Insert:

264 FW 1, 01/16/02, FWM 386 (1 sheet)
264 FW 2, 01/16/02, FWM 386 (2 sheets)
None
264 FW 5, 01/16/02, FWM 386 (2 sheet)

**FISH AND WILDLIFE SERVICE
FINANCE**

Finance

Part 264 Cost Recovery

Chapter 2 Recovery of Full Costs/Reimbursable Agreements

264 FW 2

2.1 What is the purpose of this chapter? This chapter:

A. Explains direct and indirect costs as they apply to reimbursable activities, giving examples for use.

B. Establishes the Service's standard indirect cost rate (standard rate) for reimbursable agreements and introduces additional rates for agreements where the standard rate may not be appropriate.

2.2 What area of cost recovery does this chapter address? All reimbursable agreements where we provide a product or service to a non-Service party, the costs of which are paid by the recipient (see 267 FW 1). We must recover full costs on all reimbursable work by using the applicable indirect cost rate in association with billed direct costs.

2.3 What are full costs? Full cost is the total of direct costs and indirect costs associated with a particular agreement. There are several acceptable methods of ensuring full cost recovery, but consistency is vital. For this reason, this chapter defines what the Service will classify as direct and indirect costs in the calculation of full costs.

2.4 How do I calculate direct costs?

A. Cost is a financial measure of resources consumed in accomplishing a specified purpose, such as performing a service, providing a product, or carrying out a project or program regardless of when the resources were ordered, received, or paid for.

B. To ensure equity among programs, we estimate prices by using the budgeted cost (or standard cost) method, where the cost that should be incurred to produce a product or provide a service is based on past experience producing or providing like items.

C. Direct costs are those costs that can be specifically or readily identified with producing a specific product or providing a specific service. Direct costs generally include direct labor, equipment, and other items purchased or consumed related to a project.

(1) Direct labor is the portion of benefits and other related personnel costs that can be identified and charged to a particular activity. This includes:

(a) Fringe Benefits (retirement, health insurance, and life insurance). Allocate fringe benefits as a rate applied to direct labor costs. Consult your Regional budget and finance officer for the current rate.

(b) Overtime and Premium Pay. Charge overtime and premium pay in the same manner as regular pay.

(c) Leave and Holidays (annual leave, sick leave, and holidays). When taken, do not charge leave and holidays to a recoverable activity except in cases where a station's base operations are funded by a reimbursable agreement or the payee has agreed to these charges. A leave surcharge rate is derived by referencing the actual leave taken in the prior year. For assistance in calculating a regional leave surcharge, see 346 DM 3.

(d) Other Personnel Costs (allowances for offsite pay, location allowances, hardship pay, and hazardous duty pay). Charge these costs in the same manner as regular pay.

(2) Charge the full acquisition cost for equipment used in an activity. If equipment is valued at \$1,000 or less or the agreement calls for specialized equipment and/or states that equipment will be purchased, charge the purchase price as a direct cost.

(3) Other Direct Costs include items consumed exclusively for the completion of a specific activity and can include:

(a) Miscellaneous supplies and materials.

(b) Equipment rentals.

(c) Travel.

(d) Purchased services.

(e) Contractual services.

2.5 What are indirect costs?

A. Indirect costs are those costs that cannot be specifically identified with producing a specific product or providing a specific service, but which are indirectly incurred from reimbursable work. Indirect costs include:

(1) Space rental.

(2) Utilities, including telephone services.

(3) Postage.

(4) Unemployment compensation benefits.

(5) Data processing, management, and control.

(6) Equipment rentals.

(7) Miscellaneous supplies and materials.

(8) Equipment costs (excluding those recovered as direct costs).

**FISH AND WILDLIFE SERVICE
FINANCE**

Finance

Part 264 Cost Recovery

Chapter 2 Recovery of Full Costs/Reimbursable Agreements

264 FW 2

(9) Training, employee development, and personnel transfers (including time-in transit and per-diem).

(10) Public information and inquiries (not reimbursed under the Freedom of Information Act (FOIA)).

(11) Safety management.

(12) Equal Employment Opportunity and other affirmative action programs.

(13) Management reviews.

B. Additional indirect costs include Central Office and Regional Office support, regional program management (see the exception below), as well as funds supplied to the Department of the Interior Working Capital Fund. **Exception:** Regional Office staff may have substantial involvement in certain Natural Resource Damage Assessment and Restoration (NRDAR) projects. When Regional Office staff work on NRDAR projects, consider those expenses as direct costs and charge directly to the project.

C. The most effective means of recovering indirect costs is by applying a standard rate to the direct costs of an agreement.

Example:

Direct Costs

Salaries	\$ 50,000
Equipment & Supplies	\$225,000
Miscellaneous	\$ 25,000

Subtotal: Total Direct Costs	<u>\$300,000</u>
------------------------------	------------------

Indirect Cost Rate - Standard Rate (20%)

$$\$300,000 \times 0.20 = \$60,000$$

Subtotal: Total Indirect Costs	<u>\$ 60,000</u>
--------------------------------	------------------

Total: Project Costs	<u><u>\$360,000</u></u>
----------------------	-------------------------

2.6 What is the standard agreement rate?

A. The Division of Finance calculates the standard agreement rate by incorporating the "reasonable" indirect costs associated with an agreement. The standard rate is subject to change during the biennial review of the cost recovery policy.

B. There are two components to the standard rate: (1) National and Regional administrative costs and (2) Regional program management. The two components are added to give the rate used in an agreement.

C. Always consult your Regional budget and finance officer to ensure that you use the current rates.

2.7 Are there reduced indirect cost rates that may be more appropriate for my project? Always consult your Regional Budget and Finance officer to ensure that you use the current rates.

A. Standard Agreement for Service-owned Facilities. Can be used when a project has no additive costs associated with GSA leased space. Examples may include a hosting agency providing space for staff associated with a reimbursable project, or where the predominant work is performed on Service-owned facilities. Similar to the standard rate, the standard agreement for Service-owned facilities rate must include the Regional program management component.

B. Pass-Through Agreement.

(1) A funding mechanism to direct funding to an external third-party entity (such as a State, local or tribal government; an institution of higher education; or a nonprofit organization) where there is little or no Service administrative oversight. These agreements involve strictly acquisition or financial processing services.

(2) Pass-through agreements may have both a pass-through component and a component where we have a great deal of staff participation. In these cases, agreements may be separated and assessed both a pass-through rate and the standard rate. All Service salaries associated with a project must receive the standard rate.

(3) You can also use the pass-through rate with the following specialized agreements:

(a) Contractor/subcontractor. May be appropriate for certain agreements where funding is directed to a primary contractor and/or subcontractor. This includes mapping of wetlands and other associated aquatic and terrestrial habitats (photo interpretation, drafts, drafts to finals and digitized mapping products).

(b) Construction. Funding to private contractors may use the pass-through rate.

(c) Land acquisition. 346 DM 4 governs right-of-way agreements that are in excess of \$100,000 or involve two or more Departmental bureaus or offices. In accordance with 346 DM 4, we will treat remaining right-of-way work as a pass-through agreement.

(d) On-Service lands agreements. Take place on Service owned lands and provide direct benefit to us for capital improvements to existing Service-owned property or creation of new Service real property.

**FISH AND WILDLIFE SERVICE
FINANCE**

Finance

Part 264 Cost Recovery

Chapter 2 Recovery of Full Costs/Reimbursable Agreements

264 FW 2

(e) Private lands agreements. Cost-share agreements where the customer partners with us and other agencies for projects on non-Government lands. A private lands agreement's scope must reflect obligation activity that will fall into either budget object class (BOC) 25, 32, or 41.

C. Pass-Through Initiated by the Office of the Secretary. Unless otherwise stated by the Secretary or prohibited by legislation, handle these agreements the same as the standard rate unless they meet the criteria for a pass-through agreement.

D. International Agreement. Can be used when special concessions are required for an agreement where the primary partner is not associated with the 50 States, the District of Columbia, Puerto Rico, and the territories and possessions of the United States. International agreements are covered by the standard rate unless the Department's Office of Financial Management (PFM) receives a recommendation to exempt certain cost recovery activities. The Division of Finance, Washington Office, will initiate requests upon recommendation from the Regional or Assistant Director. If approved by PFM and the Secretary, an exemption is valid for 4 years. For exceptions to the cost recovery policy, follow the procedures in 264 FW 5.

E. Fish and Wildlife Coordination Act Agreement. Agreements between the Service and U.S. Army Corps of Engineers and/or Bureau of Reclamation under the Fish and Wildlife Coordination Act (16 U.S.C. 661-667e) are subject to a negotiated rate.

F. NRDAR/OPA Agreement.

(1) Use for all agreements where funding is provided for damage assessment and/or restoration efforts receiving funding through either the NRDAR subactivities and/or direct transfers from the Department's Natural Resource Damage Assessment and Restoration Program. Regional staff must include applicable indirect cost rates to all cost estimates submitted to the Department of Justice or Responsible Party. Indirect costs will be transferred by the Department of the Interior to a separate subactivity and periodically redistributed to the Servicewide Administrative Support subactivity. Regional submissions must always include the following information:

(a) Restoration Efforts - Direct Costs	(8381)
(b) Restoration Efforts - Indirect Costs	(8364)
(c) Past Costs - Direct Costs	(8310 /8912)
(d) Past Costs - Indirect Costs	(8364)

(2) If a settlement occurs for an amount less than requested by the Service, funding will first be used toward restoration, then past costs of assessment and all remaining funds must be directed to the indirect cost subactivity.

(3) In cases where a Trustee Council manages a project, indirect costs will be included in all estimates and paid unless overruled by other Trustee Council members. If several agencies are involved, the Council may use an average indirect cost rate or the rate of the agency anticipated to do the majority of work.

(4) Departmental policy requires the use of an additional indirect cost rate when calculating claims. This policy is available from the Office of Natural Resource Damage Assessment and Restoration and should be implemented with Service policy as soon as practicable.

G. EPA Superfund Agreement. Agreements coordinated by the Washington Office Division of Environmental Quality (EQ) receiving funding from the Environmental Protection Agency (EPA) Superfund are exempt from other cost recovery efforts.

(1) All efforts should be made to recover full costs through direct billing to the EPA. The practice of recovering salaries for EQ staff should continue as currently negotiated.

(2) The Division of Finance will recover indirect costs associated with this program by billing EQ semiannually. Billed costs will include, but are not limited to, GSA leased space and telecommunications costs. The Service Finance Center will bill EQ for staff salaries hourly when processing agreements.

2.8 Are there any agreements that are not assessed indirect costs?

A. Intra-agency/Interagency Personnel Agreement. Agreements where the sole purpose is to detail a Service employee to another Federal agency, bureau within the Department of the Interior, or to a State or local government agency. An SF-50 (Notification of Personnel Action) or OF-69 (Assignment Agreement - Title IV Intergovernmental Personnel Act Assignment Agreement) must document the agreement.

B. Emergency Supplemental. Agreements involving emergency appropriations will receive a 0 percent rate.

C. Special Agreements. Special agreements do exist that require the use of a 0 percent rate. Such rates are offered on a reciprocal basis and the Director may reevaluate them any time. Currently, agreements where the U.S. Geological Survey/Biological Research Division is the direct recipient of our services will not be charged indirect costs.

**FISH AND WILDLIFE SERVICE
FINANCE**

Finance

Part 264 Cost Recovery

Chapter 2 Recovery of Full Costs/Reimbursable Agreements

264 FW 2

D. Authorizing Legislation. All cost recovery is subject to the prevailing Federal legislative language initiating an agreement.

2.9 What about collections that are handled as reimbursables?

A. On certain occasions a reimbursable mechanism has proved to work best in accounting for collections that are directed back to a program for expenses associated with the collection process.

B. On most occasions a rate described in paragraphs 2.6, 2.7, and 2.8 will work well, but some instances may require that the Division of Finance work with the affected program area to create a rate that collects the appropriate level of indirect costs.

2.10 How are the rates in this chapter calculated?

A. The Department recommends using the following basic formula to calculate an indirect cost rate:

$$\frac{\text{Prior year indirect costs}}{\text{Prior year direct costs}} = \text{Indirect Cost Rate}$$

B. We will use the following formula to calculate the National and Regional administrative cost component of the standard rate:

$$\frac{\begin{array}{l} \text{Prior year 1660 expenditures} \\ \text{Prior year 1662 expenditures} \\ \text{Prior year 1664 expenditures}^1 \end{array}}{\text{Prior year total resource management expenditures} \\ \text{minus prior year resource management transfers}}$$

C. The Service will use the following formula to calculate the Regional program management component of the standard rate. The Regional program management component primarily includes Assistant Regional Directors who play a role in reimbursable oversight.

$$\frac{\begin{array}{l} \text{Prior year Regional program obligations supporting} \\ \text{reimbursables} \\ \\ \text{Prior year obligations from resource management} \\ \text{minus prior year resource management transfers} \end{array}}{\text{Prior year resource management reimbursable obligations} \\ \text{19xx \& 2698 subactivities}^2}$$

D. The Service will use the following formula to calculate the pass-through rate. The total reimbursable obligations divided by total resource management obligations for all subactivities provides an accurate estimate of Servicewide participation in reimbursable work. This equals 15 percent and was used to show the cost of various support services.

$$\frac{\begin{array}{l} \text{Prior year RM - Finance Center Cost Accounting Section} \\ \text{15\% of prior year RM - Regional Budget \& Finance and CGS} \\ \text{15\% of prior year RM - IDEAS} \\ \text{15\% of prior year RM - Budget Allocation System (BAS)} \end{array}}{\text{Prior year resource management reimbursable obligations} \\ \text{19xx \& 2698 subactivities}^2}$$

¹ Selected projects were used with the 1664 subactivity and include GSA leased space; telecommunications; postage; worker's compensation; unemployment compensation; printing - reproduction; financial operations - Finance Center; IDEAS; Regional Office support.

² 19xx and 2698 subactivities used particular Budget Object Classes (BOCs) to capture reimbursable data. These BOCs were 25xx and up with the following exceptions: 252S - Tuition; 252T - Training/Conference Registration; 252W - Advertising (Public Printer); 252X - Advertising (Commercial); 32xx - Land & Structures; 411G - State Grants; 412A - Grants Subsidy & Contributions; 413A - Indian Tribal Government Grant; 414A - Grants to Insular Areas.